

Equities hit new high, bonds rally, rupee up

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THERE was buoyancy across markets on Monday, riding high on rate cut hopes. The stock markets rose to lifetime highs, with Sensex closing at 40,267.62, up 1.39 per cent or 553 points; and NSE Nifty at 1,088.55, up 165.75 points.

The debt bond markets discounted the rate cut expectations as the 10-year bonds hit a yield of 6.95, first time since November 2017. Bond prices and yields move in opposite directions. The bond market was

reacting to the GDP numbers released on Friday, as the slowdown has increased the expectations of a rate cut. From 25 basis points (bps), or 0.25 per cent, the hope has risen to even a 50 bps cut.

“In our view, the slow transmission of the 50 bps rate cut since Feb’19 has called for the need for not just further rate action where we expect another 50 bps cut during FY20, but also to step up the fiscal stimulus,” JM Financial said. Fall in oil prices also added to low inflation expectation, and it also

Rate cut hopes up

- Sensex up by 553 points; Nifty by 165.75 points
- Ten-year bonds hit a yield of 6.95, first since Nov 2017
- INR closed 44 paise higher against USD



boosted the rupee, which closed 44 paise higher at 69.26 to the US dollar.

Equities put up a spectacular

show as well. “Market has hit a new all-time high on expectation that the RBI in its forthcoming monetary policy on June 6 might cut rate by 50 basis points,” said Naveen Kulkarni, head of research, Reliance Securities. Leading the rally were bank stocks and the interest rate sensitives.

BSE Sensex and Nifty’s rise lifted investor wealth up by ₹1.76 lakh crore in a single session. BSE Auto index gained the most at 1.93 per cent to 18,803 led by two-wheel-

er players: Hero, TVS Motors and Bajaj Auto gained from 6, 4.2 and 4 per cent respectively on better sales numbers for May. Among index heavyweights, Reliance and HDFC rose 2 per cent and HDFC Bank was up 1.22 per cent.

BJP spokesperson and former equity researcher Sanju Verma tweeted, “Economy set to fire on all cylinders & dovish tone from neutral to positive by RBI with Repo cut of 25 to 50 bps could do the trick,” reflecting the overall market sentiment.